

MARIPOSA COUNTY

Audit Report

COURT REVENUES

July 1, 2003, through June 30, 2008



JOHN CHIANG
California State Controller

February 2011



JOHN CHIANG
California State Controller

February 23, 2011

The Honorable Christopher Ebie
Auditor
Mariposa County
P.O. Box 729
Mariposa, CA 95338

Cynthia J. Busse
Court Executive Officer
Superior Court of California
Mariposa County
P.O. Box 28
Mariposa, CA 95338

Dear Mr. Ebie and Ms. Busse:

The State Controller's Office audited Mariposa County's court revenues for the period of July 1, 2003, through June 30, 2008.

Our audit disclosed that the county underremitted \$285,328 in court revenues to the State Treasurer as follows:

- Underremitted the 50% excess of qualified fines, fees, and penalties by \$207,825; and
- Underremitted the State 20% surcharges by \$77,503.

Once the county has paid the underremitted Trial Court Improvement Fund amounts, we will calculate a penalty on the underremitted amounts and bill the county accordingly, in accordance with Government Code sections 68085, 70353, and 70377.

The county should differentiate the individual accounts making up this amount on the bottom portion of the monthly TC-31, Remittance to State Treasurer, in accordance with standard remittance procedures. The county should state on the remittance advice that the account adjustments relate to the SCO audit for the period of July 1, 2003, through June 30, 2008.

Please mail a copy of the TC-31 and documentation supporting the corresponding adjustment(s) to the attention of the following individuals:

Mike Spalj, Audit Manager
Division of Audits
State Controller's Office
Post Office Box 942850
Sacramento, CA 94250-5874

Cindy Giese, Collections Supervisor
Division of Accounting and Reporting
Bureau of Tax Administration
Post Office Box 942850
Sacramento, CA 94250

The Honorable Christopher Ebie
Cynthia J. Busse

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February 23, 2011

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau,
at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: John Judnick, Senior Manager
Internal Audit Services
Judicial Council of California
Julie Nauman, Executive Officer
Victim Compensation and Government Claims Board
Greg Jolivette
Legislative Analyst's Office
Scott Taylor, Fiscal Analyst
Division of Accounting and Reporting
State Controller's Office
Cindy Giese, Supervisor, Tax Programs Unit
Division of Accounting and Reporting
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Mariposa County for the period of July 1, 2003, through June 30, 2008.

Our audit disclosed that the county underremitted \$285,328 in court revenues to the State Treasurer as follows:

- Underremitted the 50% excess of qualified fines, fees, and penalties by \$207,825; and
- Underremitted the State 20% surcharges by \$77,503.

Background

State statutes govern the distribution of court revenues, which include fines, penalties, assessments, fees, restitutions, bail forfeitures, and parking surcharges. Whenever the State is entitled to a portion of such money, the court is required by Government Code section 68101 to deposit the State's portion of court revenues with the county treasurer as soon as practical and to provide the county auditor with a monthly record of collections. This section further requires that the county auditor transmit the funds and a record of the money collected to the State Treasurer at least once a month.

Government Code section 68103 requires that the State Controller determine whether or not all court collections remitted to the State Treasurer are complete. Government Code section 68104 authorizes the State Controller to examine records maintained by any court. Furthermore, Government Code section 12410 provides the State Controller with general audit authority to ensure that state funds are properly safeguarded.

Objective, Scope, and Methodology

Our audit objective was to determine whether the county completely and accurately remitted court revenues in a timely manner to the State Treasurer for the period of July 1, 2003, through June 30, 2008. We did not review the timeliness of any remittances the county may be required to make under Government Code sections 70353, 77201.1(b)(1), and 77201(b)(2).

To meet our objective, we reviewed the revenue processing systems within the county's Superior Court, Probation Department, and Auditor's Office.

We performed the following procedures:

- Reviewed the accuracy of distribution reports prepared by the county, which show court revenue distributions to the State, the county, and the cities located within the county.

- Gained an understanding of the county's revenue collection and reporting processes by interviewing key personnel and reviewing documents supporting the transaction flow.
- Analyzed various revenue accounts reported in the county's monthly cash statements for unusual variations and omissions.
- Evaluated the accuracy of revenue distribution using as criteria various California codes and the SCO's Manual of Accounting and Audit Guidelines for Trial Courts.
- Tested for any incorrect distributions.
- Expanded any tests that revealed errors to determine the extent of any incorrect distributions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the county's financial statements. We considered the county's internal controls only to the extent necessary to plan the audit. This report relates solely to our examination of court revenues remitted and payable to the State of California. Therefore, we do not express an opinion as to whether the county's court revenues, taken as a whole, are free from material misstatement.

Conclusion

Mariposa County underremitted \$285,328 in court revenues to the State Treasurer. The underremittances are summarized in Schedule 1 and described in the Findings and Recommendations section.

Follow-Up on Prior Audit Findings

The county has satisfactorily resolved the findings noted in our prior audit report, issued August 3, 2004, with the exception of Finding 2 and Finding 5.

Views of Responsible Officials

We issued a draft audit report on March 5, 2010. Christopher Ebie, Auditor, responded through a telephone conversation on December 21, 2010, agreeing with the audit results. Further, Cynthia J. Busse, Court Executive Officer, responded through a telephone conversation on January 10, 2011, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of Mariposa County, the Mariposa County Courts, the Judicial Council of California, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

February 23, 2011

**Schedule 1—
Summary of Audit Findings by Fiscal Year
July 1, 2003, through June 30, 2008**

Description	Account Title ¹	Code Section	Fiscal Year					Total	Reference ²
			2003-04	2004-05	2005-06	2006-07	2007-08		
Underremitted 50% excess of fines, fees, and penalties	State Trial Court Improvement Fund	Government Code §77205	\$ 64,688	\$ 69,480	\$ 42,380	\$ 4,218	\$ 27,059	\$ 207,825	Finding 1
Inappropriate distribution of 20% surcharges from Traffic Violator School fees	State General Fund	Penal Code §1463.7	12,740	17,682	17,992	17,570	11,519	77,503	Finding 2
Total			<u>\$ 77,428</u>	<u>\$ 87,162</u>	<u>\$ 60,372</u>	<u>\$ 21,788</u>	<u>\$ 38,578</u>	<u>\$ 285,328</u>	

¹ The identification of State revenue account titles should be used to ensure proper recording when preparing the remittance advice (TC-31) to the State Treasurer.

² See the Findings and Recommendations section.

**Schedule 2—
Summary of Underremittances by Month
Trial Court Improvement Fund
July 1, 2003, through June 30, 2008**

Month	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
July	\$ —	\$ —	\$ —	\$ —	\$ —
August ¹	64,688	69,480	42,380	4,218	27,059
September	—	—	—	—	—
October	—	—	—	—	—
November	—	—	—	—	—
December	—	—	—	—	—
January	—	—	—	—	—
February	—	—	—	—	—
March	—	—	—	—	—
April	—	—	—	—	—
May	—	—	—	—	—
June	—	—	—	—	—
Total underremittances to the State Treasurer	<u>\$ 64,688</u>	<u>\$ 69,480</u>	<u>\$ 42,380</u>	<u>\$ 4,218</u>	<u>\$ 27,059</u>

NOTE: Delinquent Trial Court Trust Fund remittances not remitted to the SCO within 45 days of the end of the month in which the fees were collected are subject to penalty, pursuant to Government Code section 68085(h). The SCO will calculate and bill the county for the penalty after the county pays the underlying amount owed.

¹ Includes maintenance-of-effort underremittances (Finding 1) as follows.

Fiscal Year				
2003-04	2004-05	2005-06	2006-07	2007-08
<u>\$ 64,688</u>	<u>\$ 69,480</u>	<u>\$ 42,380</u>	<u>\$ 4,218</u>	<u>\$ 27,059</u>

Findings and Recommendations

FINDING 1— Underremitted excess of qualified fines, fees, and penalties

The County Auditor's Office underremitted by \$207,825 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the five-fiscal-year (FY) period starting July 1, 2003, and ending June 30, 2008.

Government Code (GC) section 77201(b)(2) requires Mariposa County, for its base revenue obligation, to remit \$135,857 for FY 2003-04 and each fiscal year thereafter. In addition, GC section 77205(a) requires the county to remit to the Trial Court Improvement Fund 50% of qualified revenues that exceed the stated base for each fiscal year.

The error occurred because the county used incorrect entries in its maintenance-of-effort (MOE) distribution working papers and as a result of conditions identified as follows:

- When calculating the MOE for all five fiscal years, the county did not include all base fines pursuant to Penal Code (PC) section 1463.001. Traffic and criminal base fines were not included. The county should have included \$524,813 ($\$699,750 \times 0.75$) in the MOE.
- When calculating the FY 2003-04 and FY 2004-05 MOE, the Mariposa County Auditor's Office reduced the 30% penalty component by an additional 30%. The office should have included \$57,001 in the MOE.
- When calculating the FY 2007-08 MOE, the Mariposa County Auditor's Office did not exclude the county's 23% traffic violator School (TVS) bail portion to the General Fund. The office should not have included \$43,185 in the MOE.
- As stated in Finding 2, from July 2003 through June 2008, the county did not take the 20% State surcharge and Emergency Medical Services (EMS) penalties out of TVS bail. The county should not have included \$122,977 in the MOE for traffic school bail.

The qualified revenues reported for FY 2003-04 were \$289,631. The excess, above the base of \$135,457, is \$154,174. This amount should be divided equally between the county and the State, resulting in \$77,087 excess due the State. The county has remitted a previous payment of \$12,399, resulting in an underremittance of \$64,688.

The qualified revenues reported for FY 2004-05 were \$349,171. The excess, above the base of \$135,457, is \$213,714. This amount should be divided equally between the county and the State, resulting in \$106,857 excess due the State. The county has remitted a previous payment of \$37,377, resulting in an underremittance of \$69,480.

The qualified revenues reported for FY 2005-06 were \$377,967. The excess, above the base of \$135,457, is \$242,510. This amount should be divided equally between the county and the State, resulting in \$121,255

excess due the State. The county has remitted a previous payment of \$78,875, resulting in an underremittance of \$42,380.

The qualified revenues reported for FY 2006-07 were \$368,586. The excess, above the base of \$135,457, is \$233,129. This amount should be divided equally between the county and the State, resulting in \$116,564 excess due the State. The county has remitted a previous payment of \$112,346, resulting in an underremittance of \$4,218.

The qualified revenues reported for FY 2007-08 were \$340,446. The excess, above the base of \$135,457, is \$204,989. This amount should be divided equally between the county and the State, resulting in \$116,564 excess due the State. The county has remitted a previous payment of \$75,436, resulting in an underremittance of \$27,059.

The underremittances had the following effects:

Account Title	Understated/ (Overstated)
Trial Court Improvement Fund—GC section 77205:	
FY 2003-04	\$ 64,688
FY 2004-05	69,480
FY 2005-06	42,380
FY 2006-07	4,218
FY 2007-08	27,059
County General Fund	(207,825)

Recommendation

The county should remit \$207,825 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the Trial Court Improvement Fund—GC section 77205. The county should also make the corresponding account adjustments.

FINDING 2— Incorrect distribution of 20% State surcharges and EMS penalties from traffic violation school bail

The Mariposa County Superior Court did not deduct 20% state surcharge and EMS penalties from TVS fees starting July 2003 through June 2008. Court personnel indicated that the required distribution was inadvertently overlooked due to personnel changes.

Starting September 30, 2002, PC section 1465.7 requires a state surcharge of 20% to be levied on all criminal base fines used to calculate the state penalty assessment, as specified in PC section 1464. The surcharge should be applied to criminal fines, including TVS bail.

Effective January 1, 2000, for all traffic school violations, Vehicle Code (VC) section 42007 requires \$2 from every \$7 that would have been collected pursuant to GC section 76000 on a fine distribution to be deposited in the Emergency Medical Services Fund.

This finding was addressed in the SCO's audit of the Mariposa Superior Court for the period of July 1, 1999, through June 30, 2003 (report issued August 13, 2004).

The inappropriate distributions for TVS fees affect the revenues reported to the State Trial Court Improvement Fund under the MOE formula pursuant to GC section 77205. In addition, the inappropriate distribution had the following effects:

Account Title	Understated/ (Overstated)
State General Fund–PC section 1463.7	\$ 77,503
County General Fund	(159,711)
County EMS Fund	82,208

Recommendation

The county should remit \$77,503 to the State Treasurer and report on the remittance advice form (TC-31) an increase of \$554,767 to the State General Fund–PC section 1463.7. The county should also make the corresponding account adjustments.

FINDING 3— Erroneous distribution priority

The Mariposa County Superior Court prioritized collections in a manner that inappropriately gave a distribution priority to security fees over fines and penalties. The error occurred because court staff overlooked the additional computer programming procedure requirements.

Starting September 30, 2002, PC section 1203.1d requires a mandatory prioritization in the distribution of all installment payments as follows:

1. Restitution Orders to victims
2. 20% State surcharge
3. Fines, penalty assessments, and restitution fines
4. Other reimbursable costs

The collection of security fees should be included within category 4 with other reimbursable costs.

This finding was addressed in the SCO's audit of the Mariposa Superior Court for the period of July 1, 1999, through June 30, 2003 (report issued August 13, 2004).

Failure to make the required priority distribution causes distributions to the State and county to be inaccurately stated. We did not measure the dollar effect, as doing so would not be either material or cost effective due to the difficulty in identifying and redistributing the various accounts.

Recommendation

The Mariposa County Superior Court should ensure that all surcharges, fines, penalties and fees are distributed in accordance with the statutory requirements under PC section 1203.1d.

**State Controller's Office
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